

Haiti

Status Index (Democracy: 3.35 / Market economy: 3.21)		3.28	Management Index 		2.85
HDI	0.475		Population	8.3 mn	
GDP per capita (\$, PPP)	1.742		Population growth¹	1.9 %	
Unemployment rate	N/A		Women in Parliament	9.1 %	
UN Education Index	0.50		Poverty	N/A	
			Gini Index	N/A	
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003.					

A. Executive summary

An assessment of the status of Haiti's democratic transformation since 2001 shows a certain setback compared to the achievements it had made in the years previous. Haiti has been suffering from a double crisis of transformations on political and economic levels.

In politics, the country has seen a period of instability and of the end of important programs like the reform of the juridical and the police system, the improvement of governance of the public administration and the decentralization of the state. The conflicts between the opposition and the government and the inflexibility of the political leadership marked this period and subordinated the transformation of the country to a logic of confrontation and short-term political profit. The civil society was weakened, which facilitated the return of political forces fighting for the restoration of an authoritarian regime in Haiti.

On the economic level, the country had to suffer an ongoing quantitative and qualitative deterioration and significant delays in programs of economic transformation such as the modernization of public enterprises, the reform of public finances and the improvement of physical and social infrastructure. The resources and investment capacity of the state was very limited. The financing of the fiscal deficit by the central bank provoked devaluations of the Haitian currency and caused inflation. The long-lasting economical crisis has reinforced the weight of the informal sector in the economy and led to a higher degree of poverty in the country. Haiti shows certain positive aspects in the last year of the evaluation period such as the stabilization of the economy and a reduction of the inflation rate.

Achievements in political transformation were very limited and the transitional government has not been able to address violence and insecurity in the country. Nor has there been an increase in political participation or a reduction of social exclusion. The future of the transformation in Haiti depends on an inclusive

process of national dialogue, improvements in economic revival and the end of the climate of generalized violence.

B. History and characteristics of transformation

The breakdown of the Duvalier regime in February 1986 represented the very beginning of a long process of democratic transformation in Haiti. After a period of political transition that was marked by several coup d'état, military and provisional governments, the first free and democratic elections were held 1990 with Jean Bertrand Aristide as its winner. Ten months later, the process of political transformation engendered by the election was interrupted brutally by a coup d'état that forced Aristide into exile. A military regime was subsequently installed (1991-1994).

The return to a constitutional order in 1994 corresponded with economic progress due to significant external aids, the adoption of an urgency plan to revive the economy and to an increase of money transfer by Haitians living abroad. Haiti saw a valuable improvement in its economic indicators during that time. Nevertheless, the program of structural adjustment that has been introduced by the Aristide government, and which provided reforms like liberalization of commerce, privatization of public enterprises and a modernization of the public sector, was depressed two years later due to protests that denounced its social effects. The reforms were continued by the government RenéPréval (1996-2001) but interrupted again after Prime Minister Rony Smart stepped down in 1997. His resignation marked a decisive moment in the conflict between Aristide and a reformist wing of the Lavalas movement represented by the Organisation du Peuple en Lutte (Organization of the People in Struggle, OPL).

Aristide was again elected president in the context of a political crisis triggered by the controversial parliamentary and presidential elections of 2000 and the difficult relationship between the opposition and the Lavalas government of his predecessor President Préval. The political crisis, together with the following blockade of the international financial aid programs, made the situation very uncomfortable for the Aristide government and made the application of his program more difficult. The oppositional parties, frustrated by Aristide's second rise to power, tried to hinder his party from expanding even more its hegemony on the Haitian political system and acted vehemently against the government's mandate.

Long-lasting negotiations between the government and the opposition did not lead to a solution of the political crisis that turned out to be more and more violent. At the end of February 2004 an armed rebellion assembled by former personnel of the Haitian armed forces, that was dissolved by Aristide in 1995, and rebels linked to armed gangs from the north of the country provoked the breakdown of

Aristide's government and his departure on February 29, 2004. That same day the United Nations (UN) Security Council authorized the deployment of the Multinational Interim Force (MIF), in order to reestablish the stability in the country until the arrival of the UN Peacekeeping Mission (MINUSTAH) in June 2004.

A provisional president, Boniface Alexandre, chief of the Supreme Court, has been designated according to the 1987 constitution. A Council of the Wise composed of seven eminent personalities was chosen by a Tripartite Council designated Gerard Latortue as transition prime minister. In April 2004, a political pact was signed between the transitional government, political parties and the civil society, which was boycotted by the Aristide's Lavalas party. The focus of the pact is the realization of conditions for the organization of democratic elections and the transfer of power to the new elected government in February 2006.

C. Assessment

1. Democracy

1.1. Stateness

The evolution of the Haitian state is a huge paradox. It is one of the oldest states of the continent, just celebrating the bicentennial of its independence, even though in difficult conditions. On the other hand, it is perhaps the country with the least degree of coherence in the region. Because it cannot ensure social and economic justice, the state is looked upon by the majority of the population as an authoritarian entity taken hostage by the economical and political elite. The process of political transformation begun after the fall of the Duvalier regime in February 1986 has led for the first time in the country's history to a constitution, which formally affirms the active role of the state in carrying out and maintaining the nation's cohesion and in eliminating all forms of social, cultural, economic and political discrimination.

The events of February 2004 have shown the state has no monopoly of the use of force and is unable to secure its authority throughout the country. Rebels and members of the former army have brought important regions and cities under their control and have assumed administrative and executive functions. The biggest slums of the capital Port-au-Prince are under control of armed groups faithful to Aristide and promote with violent actions his physical return in Haiti.

Defining citizenship and who qualifies as a citizen follows no formal political criteria. The country is not characterized by ethnic diversity. Nevertheless, it is marked by significant social cleavages that are tied to culture, language and religion. Historically, the peasants that represent the majority of the Haitian

population have been considered as "not-full-citizens" and accordingly have been held back from exercising their civil and political rights. The huge demand of democracy expressed by the rural population since the beginning of the transformation process has to be seen within the context of a centuries-old fight for their civil rights. Even today, nearly 40% of the Haitian population has no identity document, which is the necessary condition to exercising their civil rights. This situation is, however, more a result of political ignorance than of a determined policy of exclusion.

Religious dogma does not play an important role in the legitimacy of the state and the legal order in Haiti. Nevertheless, a high presence of religious institutions in political affairs can be seen. They participate in institutions like the national elections council and have an important impact on the process of political negotiations. Still, the impact of religious actors is not significant, and there is no strategy to impose religious dogma on the state.

The administrative system is very deficient and centralized. It is not able to distribute public resources efficiently or satisfy the basic needs of the population. The weakness of infrastructures is caused by the low level of state resources and widening corruption, and is only partly compensated by NGOs and international aid. These interventions are disparate and not coordinated by the state.

The economic breakdown of the country during the survey period, fiscal deficits and the low level of state resources, its inability to maintain law and order and to face the insecurity caused by drug traders and armed gangs, all reinforce the position of the international community that it would be best to place the country under UN control.

1.2. Political participation

There have not been any elections during the evaluation period. The election results in 2000 played an important role in the crisis of legitimacy of the Aristide government and the parliament. These elections were contested by the opposition, which boycotted the second round and by that means reduced the participation rate to less than 20% (from 60% in the first round). The international community, above all the OAS, criticized the vote-counting system adopted by Election Council, which showed significant irregularities and favored the Fanmi Lavalas party. The opposition also boycotted the presidential elections of November 2000 that brought Aristide to power. Aristide did not have a serious candidate to compete against. This contributed to an erosion of legitimacy and the acceptance of his presidency by the political class. Aristide was at this time the most influential political personality in the country and would have won the presidential elections even with the participation of the opposition parties.

Generally, leaders emerging from elections in Haiti have the power to govern the state. However, because of the strong polarization of the society and of the culture of confrontation of the political class, the real governing power is restraint. The army, which traditionally represented a strong veto power, has been dissolved but there are other forces (like the private business sector or the traditional political elite) that show a strong capacity of impeding and isolating the executive. Paradoxically, even though the parliament was entirely dominated by his own Fanmi Lavalas party, President Aristide very often had serious problems in the ratification of his government's prerogative.

The Haitian Constitution protects the right of independent political and civil groups to associate and assemble freely and the freedom of the press. Nevertheless, serious attacks on these liberties have been committed during the evaluation period. Armed groups have threatened several journalists and some have even been assassinated. Radio stations have been devastated and the rights to demonstrate and to assemble have been significantly restricted by acts of violence committed by members of the police or armed gangs allied to the Aristide government.

With the government of transition, the media context has changed. The media turned out to be very passive and not critical of the new regime. Various private media stations supported the departure of Aristide and the arrival of the Alexandre/Latortue. The claims of the population no longer appear in the media. Police actions against the civil population and the assassination of partisans of the former regime have not been mentioned in the press. If the media (mainly the radio stations) that have an important impact on the political transformation would lose of their legitimacy, it would have very negative consequences on the political participation of the population.

1.3. Rule of law

Haiti's constitution guarantees the balance between executive, legislative and juridical power. However, in practice this balance has not functioned since the beginning of the democratization process.

Problematic collaboration between the executive and the legislative is the main source of institutional instability in the country. Parliamentarians see their office as a position of power where they have no accountability the nation. Ratification of the budget, of the international treaties and important laws for the economical,

social and political transformation are often delayed for years. There are no adequate institutional mechanisms to push parliamentarians to do the work the constitution and the people demand.

The preeminence of the Senate within the political system gives it an unlimited veto right,, which in the last 15 years has led to situations of parliamentary anarchy. In order to prevent presidential authoritarianism, the Constitution of 1987 created a strong Parliament. There is an inherent risk in this system due to uncompromising parliamentarians.

The Constitution of 1987 introduced a distinction between the President of the Republic, as head of state, and the Prime Minister, as head of the government, in order to limit the power of the president. Challenged by a strong tradition of presidentialism, it is particularly difficult for the prime minister to really lead governmental affairs.

The executive has supremacy over the juridical power. The juridical system has significant problems during time of this analysis: lack of resources and low professionalism, lack and corruption of judges, high costs of juridical procedures, and strong dependence of the executive. Impunity from prosecution characterizes the juridical system and contributes to the loss of confidence in the jurisprudence and the reinforcement of summary justice. Even though some institutions like the Ecole de Magistrature and the Office de Défense des Citoyen (Ombudsman) have been created and much donor support to reform the judiciary have been given to the country, the juridical system remain weak and inefficient.

The long-lasting confrontation between the Aristide government and the opposition parties prevented an improvement of the moral sense in public life. The confrontational behavior of both parts of the political system led to a reinforcement of ties within every camp. By that means, officeholders took advantage of the situation in order to abuse their positions and to develop corrupt practices without fear of legal consequences.

In order to fight corruption the transitional government introduced a commission charged with the pursuit of accused officials. During the period of this analysis, the commission intervened in several cases where officeholders of the former Aristide government have been involved. However, the transitional government must face new corruption charges against government officials.

The human rights situation in Haiti has deteriorated. Civil rights are violated on massive scale. The National Police have been involved in arbitrary arrests, killing of inmates in the central prison of Port-au-Prince and summary executions in the poor neighborhoods. Recent reports by Amnesty International, the Inter-American Commission on Human Rights (IACHR) and Haitian human rights organizations

have expressed deep concern about the situation and condemned the transitional government for not facing the massive violation of civil liberties in the country and not pursuing the perpetrators of civil rights violations.

1.4. Stability of democratic institutions

During the period of this study, one of intense political crisis, the performance of “democratic” institutions – which have long since deteriorated to appendages of an authoritarian regime – has been very low. The confrontation between the Aristide government and the opposition has hampered the governance capacities of the administrative system. During the three years of the Aristide government, the juridical system and the national police have been directly implicated in the political conflicts. State institutions were no longer politically neutral and fell victim of politically counterproductive frictions.

The government of transition was unable to increase the acceptance of the democratic institutions, particularly the justice system. Measures taken by the Ministère de la Justice, such as the detention without judgment of former members of the Lavalas government and of Aristide partisans, or the poorly prepared trials of perpetrators of human rights violations, members of the rebel army and their affiliates, reinforced the idea that the new government applied partisan justice.

Another important institution for the improvement of democratic transformation in Haiti is the Electoral Council. While the Constitution of 1987 already anticipated the creation of this Council as a permanent institution in charge of the organization of elections, 18 years later, it has not been established. The country has seen a succession of provisional electoral councils whose work led to political controversies. The procedures intended to guarantee the functioning of the Electoral Council have been revised by each election.

1.5. Political and social integration

Political integration has not seen significant progress during the period of this study. Political parties complain of poor institutionalization and do not accomplish the task of mediating state and society. They do not focus on the integration of the population. They generally only make use of the population by mobilizing it before elections, which creates the idea of an authoritarian and paternalistic democratization process. Political parties have worked like a veto-club of personalities interested only in pursuing their own interests. The huge number of parties (more than 90) gives an idea of the fragmentation of the party system. The majority of these parties have never had a legislative mandate. Most of them do have a concrete program and they are organized as a network of clientele connections.

Popular organizations, labor unions and peasant groups had a strong impact on the mediation of society and the political system at the beginning of the democratic process, but lost their influence during the Aristide government. This is due on the

one hand to the political co-optation of the leaders of these groups by the Lavalas governments and on the other hand, to the political presence of new players like the business sector which had a major role in the anti-Aristide movement. While the defense of democratic achievements is an essential preoccupation in the public contributions of this group, its specific claims have dominated the social interests of the poor segments of the population.

The government of transition is confronted with many particular interest groups (such as, police, former military and students) who try to profit from its weak social basis and lack of political legitimacy.

Even though there is a significant acceptance of democracy, the disillusion of the population with the political class and national institutions does not augur well for democratic transformation.

Social and political integration efforts are questioned by some sectors of the political and economic elite that approach the actual crisis of the country because of an increased political participation of popular groups in the political scene, since the breakdown of the Duvalier regime in 1986. These forces are interested in maintaining a political system that ignores the basic social needs of the population and its will to contribute to the democratization of the country. They fight for a restoration of a strong political regime and for the reestablishment of the army. These ideas reflect a nation historically divided into two parts that still has not been able to overcome her differences and to establish a democratic order.

The democratization process after the fall of the Duvalier regime gave birth to a number of important civic organizations in different domains. These new voluntary organizations have enlarged traditional forms like the coumbite as a form of self-help and solidarity between peasants in rural areas or cooperatives. During the 1990s, these organizations contributed significantly to an improvement of social capital. Meanwhile, the military regime (1991-1994) caused a destabilization of those civic institutions. Since 2001, structural characteristics of Haitian society have had a strong influence: distrust, weakness of the sense of community, preference for the informal, individualism. Other important factors are the state's inability to promote social cohesion through an equitable distribution of public services, the loss of social bonds caused by the extension of poverty, strong urban migration and increased insecurity.

2. Market economy

2.1. Level of socioeconomic development

The low level of economic development and the social exclusion of a majority of the population do not permit adequate freedom of choice for all Haitian citizens.

The socioeconomic situation in Haiti is characterized by a concentration of resources and power: a small minority holds about 68% of the national income while the 30% of the poorest people hold only 1.9 % of the national income. The Gini coefficient stands at 0.65% and the GNI per capita at \$380. Haiti is the only "least developed" country on the American continent. It ranks 153rd on the Human Development Index. Average life expectancy is 53 years – the shortest overall American continent. The rate of extreme poverty (income under \$1 per day) is 55%, and in rural areas 88% of the population. The unemployment rate is higher than 60%; 92% of the working population, other than in the agricultural sector, works in the informal sector, which shows the inappropriate institutional framework for economic policy.

The level of socioeconomic development has even deteriorated because of the economic damage caused by the political events of February 2004 and the ecologic disasters that struck the country in May and September 2004. The latter have cost numerous lives, and caused the destruction of the social infrastructure and massive economic losses.

2.2. Market and competition

Market competition in Haiti operates under a weak institutional framework and a strong informal sector within the economy. The state facilitates the development of rent-seeking strategies of powerful economic groups. Regulatory institutions do not sanction monopolistic and oligopolistic practices. The state is unable to regulate the wide extension of the informal sector dominated by small-scale traders, merchants and retailers.

From the second half of the 1980s onward, the country has seen a significant commercial liberalization. The average customs duty is today the lowest in the Caribbean. The strong influence of the state in regulating and controlling the import sector was reduced. Import licenses were removed and cross-border capital flows freely.

The banking sector has increased significantly over the survey period but does not contribute to the enforcement of financial intermediation. The banks focus their credit portfolio on business activities of social capital owners and speculative activities in the foreign exchange market. The economy has seen, in the period under review, an extension of microfinance institutions. To avoid a financial crisis like that of the cooperatives banks in 2002, the central bank intends to elaborate a regulatory law for this sector. The Haitian banking system has seen a significant modernization and it applies most of the precautionary measures of the Basel Accords. The surveillance of the banking system by the central bank has been reinforced.

2.3. Stability of currency and prices

During the evaluation period, Haiti saw a significant deterioration of its macro-economic indicators. From 2001 to 2003, the inflation rate averaged 19%. In April 2004, after the departure of Aristide, the monthly inflation rate to 6.5%, compared to 1.5% in February 2004. The fiscal deficit stands at 3.2% of GDP. Considering the low level of tax collection and custom duties, the government has financed the deficit mainly through the advances of the central bank. The international net reserves dropped to the historic low of \$17 million at the end of March 2004. However, a restrictive monetary policy helped to increase the reserves to \$62 million by the end of November 2004. The ongoing political crisis is an important source of uncertainty for economic players, and it has contributed to the dollarization of the economy.

The exchange rate of the gourde reflected the high level of public deficit and its financing by the central bank. However, the money transfers made by Haitians living outside the country (\$650 million in 2002; \$800 million in 2003) had a positive effect on the exchange rate, even though it was not enough to compensate the negative effects, taking into account the absence of external financial aid. The gourde attained its peak of devaluation in April 2003 because of rumors about the blockade of dollar accounts in the banking system. The monetary stabilization measures of the central bank reduced the rate to 37 gourdes to the dollar.

2.4. Private property

The Haitian constitution guarantees private property and assigns to the state the duty of protection and promotion of private entrepreneurship. Haiti is signatory of international patents and trademarks conventions. Private companies can generally act without restrictions. The only limitations are the complicated registration and administrative procedures for enterprises. Public enterprises occupy relatively important sectors of the economy (telecommunication, electricity, ports and airports).

Taking into account the importance of the peasant population, problems of land ownership are very important. Peasants rarely have land titles and the state does not facilitate their acquisition of those titles. This has led to violent land conflicts throughout the country's history. Agrarian reform initiated by the government of Rene Préval (1996-2001) led to a redistribution of land to the peasants of Vallée de Artibonite, one of the most fertile zones of the country, has been called into question by large landowners after the departure of Aristide.

During the survey period, the country suffered from violent appropriation and destruction of private property by armed gangs that took advantage of the juridical system's weakness.

2.5. Welfare regime

Only a minority of the population has full access to social services, while a large majority, especially those living in rural areas, have no access even to basic services. The ongoing economic crisis and high rates of population growth have lead to the deterioration of an already weak social infrastructure. Public employees have social security and a pension even though their benefits are not transparent.

Networks of traditional solidarity like the family generally manage social risks. However, the economic crisis, aggravated poverty and migration have caused a serious erosion of this kind of social security network. The most important contribution to the social safety nets and compensation for social differences in Haiti comes from Haitians living abroad. Initiatives of NGOs and of international organizations engaged in Haiti play also an important role by compensating the gross social differences. In sum, rudimentary welfare institutions are so weak that they cannot compensate for the gross social differences endemic in Haiti.

2.6. Economic performance

Macroeconomic indicators have deteriorated during the survey period. Domestic demand decreased by more than 5% in real terms, and external demands increased by 2.8% compared with more than 7% in 2002/2003. Real GDP growth remained close to zero between 2000 and 2003 and is estimated to fall about 5% in 2004 because the economic damage caused by the political events of February 2004.

The combination of a prolonged political crisis, the cessation of international financial aid and the weakness of state resources led to a disastrous economic situation in Haiti. The deteriorating economy caused high fiscal deficits, the strong devaluation of the gourde, an increasing balance of payment deficit, rising inflation and a significant deterioration of living conditions for the majority of the population. The extension of insecurity and the political violence have prevented the creation of an appropriate climate for private investment and the pursuit of economic reforms. Nevertheless, towards the end of 2003 the Aristide government introduced stabilization measures in order to augment tax revenues and to reduce the fiscal deficit. Relations with main international donors like the IMF, the World Bank and the IDB were re-established.

Relations with the international community intensified with the new transitional government. Financing for the government's economic program (approximately \$1.8 billion) has created certain optimism in the Haitian business community. The population expects to profit from the employment program promised as part of the modernization and construction of physical infrastructure.

2.7. Sustainability

Haiti is confronted with an advanced deterioration of its environment, with extreme desertification. Forest represents only 3% of the total surface area. Biodiversity is declining steadily. This ecological disaster can be explained in part by a lack of consciousness among the population with regard to ecological problems. The demographic explosion of the country, the high level of poverty, the lack of state control and prevention structures aggravates the situation.

Two ecological catastrophes in the country, in May and September 2004, have claimed more than 5,000 victims and opened the eyes of the Haitians to the time bomb that environmental crises represent. To reduce the country's high vulnerability to natural catastrophes, the state and different NGOs have created contingency plans and programs for the prevention of disasters. Meanwhile, the fact that ecological problems are mainly the outcome of poverty shows that the basis for any solution to these problems is a substantial improvement of the living conditions of the majority of the population.

The Haitian education system is very deficient, with less and less state financing over time. A large number of private schools have been created in response to strong demand for education. The private school market has no state regulation. Education quality is declining, teacher's skills are on a very low level and the rate of school interruptions is high. The school system reflects the social and geographical disparities of the country. There is a high concentration of school facilities in urban centers while school infrastructure in rural areas is scarce. This deficit is not compensated by public investment. Professional schools and universities show the same defects as primary schools and have not adapted to the market. A huge number of universities have been created but they still offer a poor quality education. Research and development are very low. The economic crisis has aggravated the problems of the education system, and the state's capacity of investing in education, training, research and development has diminished.

3. Management

3.1. Level of difficulty

Structural constraints on governance in Haiti are massive. Conditions that would encourage transformation management in Haiti are not met. A long economic crisis, the majority of the population living in extreme poverty, and the collapse of already inadequate infrastructure, and accelerated population growth all make transformation difficult.

Furthermore, the weakness of democratic traditions, a political struggle marked by continued confrontation and violence, and weak implantation of political parties

mostly without coherent programs, all make transformation a particularly difficult task.

The weak capacity of the state to satisfy the basic needs of the population in terms of education, security, and public health contribute further to civil society's distrust of the state.

Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	2
1. Head of State:	<i>Aristide Bertrand</i>	Cabinet duration:	<i>03/2002-03/2004</i>
Head of Government:	<i>Yvon Neptune</i>	Parties in government:	<i>1</i>
2. Head of State:	<i>Boniface Alexandre</i>	Cabinet duration:	<i>03/2004- present</i>
Head of Government:	<i>Gerard Latortue</i>	Parties in government:	<i>1</i>
		Number of ministries:	<i>14</i>
		Number of ministers:	<i>14</i>
Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Number of ministries/ ministers denotes the situation on 1 January 2005.			

Traditions of civil society are non-existent. However, popular movements have become stronger over the last 20 years. A great number of active NGOs are engaged in the improvement of basic services to the population. The massive demonstrations organized against President Aristide were another sign of a growing civil society. However, the Haitian society is still very fragmented along religious, social and cultural differences. This reduces the contribution that civil society could make to the economic and social transformation of the country, and favors the emergence of violent movements.

3.2. Steering capability

Jean-Bertrand Aristide returned to power in 2001 with an ambitious economic and social program – "Investir dans l'humain" – that he was not able to implement. The government inherited the mismanagement of the party Fanmi Lavalas of several dossiers concerning the contested election of 2000, the contested legitimacy of the parliament and the stoppage of international financial aid. The Aristide government has not demonstrated a clear strategy to resolve the long political crisis that followed, and increased in 2003 and 2004 because of a large protest gaining the social basis of his government. The necessary economic and institutional reforms were put off in favor of short-term management of the political crisis.

The preeminence of the president in governmental affairs has paralyzed the ministerial cabinet, which did not fight in defense of the reforms. Mainly

interested in the departure of the president, the political parties themselves have not presented their opposition to the government in a larger context or proposed new approaches for the reinforcement of democracy or continued economic and political transformation.

Even though the option of introducing a market economy and the pursuit of the democratization process is clearly favored by all political forces, the long and tortuous negotiations between the government and the opposition have not really changed the behavior of the Haitian political class. The search for a short-term political advantage and for private interests precludes collective interests and a more strategic vision of the country's problems. Government and opposition are not interested in a compromise.

Political polarization has not helped the government's application of necessary reforms for the country. Carrying out these reforms was not on the agenda of political parties that only focused on the fall of Aristide as the basic condition for a transformation process. The programmatic weakness of the political parties and the concentration on Aristide's fall facilitated the government's isolation and made political survival its main preoccupation. The need to survive had a negative influence on the state structures, which became paralyzed in the years from 2001 to 2004. Important projects in public administration, the modernization and privatization of public enterprises, the reform of the justice system and police forces, the improvement of social and physical infrastructure, the reduction of poverty, modernization and improvement of the education system have all not been carried out.

Civil society focused on the protest against Aristide's government has not worked towards cohesion and the consolidation of democratic reforms.

The government of transition has tried to correct the mistakes of its predecessor and "depoliticize" the cabinet. Technocrats dominate the new administration. The new government tried to implement important reforms that were blocked during the evaluation period. It gained the support of the international from the beginning of its term. Nearly two month after the installation of the government, a medium-term economic program, the CCI (Cadre de Cooperation Interimaire), was created with the help of foreign and national experts. This plan serves as a strategic compass for the two transition years, and has been approved by the international community and finance institutions that support it with an amount of \$1.8 billion. Different projects for the improvement of economic governance have been presented to international sponsors.

The transitional government is trying to learn by improving the communication of state institutions with civil society and therefore develop mechanisms of information and regular consultation in order to create a dynamics of participation in the ongoing process of political transformation. Hitherto there have been little

efforts to explain the transition process to the population and encourage popular support. For the majority of Haitians the government very often looks like a group of cool technocrats with no social sensibilities, who give priority to their good relations with the international community at the expense of an intense dialogue with the population. The transitional government failure to gain popular trust reduces its legitimacy. Its short term (two years) and the complexity of the problems it faces do mean there is little chance of the political class changing its behavior.

A profound change can only be introduced in opposition to the particular interests of the political class. This is particularly difficult in the present context given circumstances in which the transitional government came to power, and its dependence on different parties. Despite the strong commitment of Prime Minister Latortue to the economic program and political transition, the population denounces political chaos and criticizes the lack of leadership.

3.3. Resource efficiency

The popular clientele of the Aristide government and the high rate of unemployment created strong pressures on the public administration to expand the number of government employees well beyond their real capacities. The management of human resources has become inefficient. Low salaries in public administration encourage corruption and disengagement of officeholders. The administration has lost in the last five years many of its most qualified staff members. Many of these officeholders preferred to work for NGOs or international institutions, or have emigrated. Thus, the public administration does not have sufficient expertise for the elaboration and the guidance of transformation policies. Other important reasons for the bad governance capacities of the state are the deficiency of higher education institutions and the lack of staff training.

The employment of higher public officers is very often based on client relations. The resignation of higher officials in the justice system and in the national police is due to the interferences and political pressure exercised by the executive.

Haiti's tax revenues are very limited – among the lowest in the world. Government efforts to increase the tax revenue by rationalizing the tax recovery system were not sufficient and could not compensate for structural deficiencies in fiscal administration. Late 2003 the Aristide government signed an agreement with the IMF to reduce state expenditures and augment tax revenues. Hydrocarbon price subsidies were suspended and indirect taxes increased.

The fiscal administration has serious deficiencies in budget preparation. From 1999 to 2004, the national budget has not been ratified; it has simply been

renewed. Haiti has a very low level of public investment. The state capacity to make investments in social infrastructure and satisfy the basic needs of the population is very low. The allocation of budget resources is far from optimal: political ministries obtain nearly 40% of the resources, whereas the social sector obtains only 30%.

Nevertheless, several measures to reform and rationalize fiscal administration have been put forward. The Organic Law, which regulates the preparation and the execution of the budget, was ratified by the parliament in December 2003. An Inspectorate General of Finance, an automated public expenditure system and a national public procurement commission have been created. A cash-management protocol has been signed by the finance ministry and the central bank in order to limit financing of the fiscal deficit.

There was strong concentration of power under President Aristide. This led to strong limitations on policy coordination and the decision-making powers of the higher officials in administration and created a kind of lethargy in the cabinet. Ambitious public-administration reforms have not been enforced and the creation of a "Ministere de la Fonction publique" has never been carried out. The government of transition has difficulty ensuring policy coherence, a consequence of the fragmentation of executive power between the presidential and prime ministerial offices.

State resources are captured by a coalition of private interest groups and high officeholder, and distributed based on client networks. Corruption in the Haitian society has become such an important dimension over the study period that Transparency International classified the country one of the world's most corrupt. Indicators of good governance like accountability, a transparent public procurement system, review of state policies by parliament, asset declaration of officeholders are among the most deficient in the world. The fight against corruption is certainly a main focus in the agenda of the transition government. A unit against corruption (ULCC) was created in the finance ministry, but at the same time, leading officers named by this government are implicated in corruption scandals.

3.4. Consensus-building

The market economy and the democratic system as strategic long-term aims are not explicitly questioned by the majority of Haitian political actors. Nevertheless, for several reasons like the concentration of the national income on a small minority and the high poverty rate, important sectors of civil society doubt that the rules of a democracy and a market economy will be a solution for the economic and social underdevelopment of the country. They do not see an automatic relation between market economy and democracy.

The political situation in Haiti makes it difficult to speak of a reformist democratic leadership on one side and anti-democratic veto actors on the other. In addition, the necessary presence of the MINUSTAH troops demonstrates how little ability the government of transition has to exert control over potential veto powers. While the veto-power scenario is not that clear in the political realm, there are anti-democratic economic actors who oppose the development of democracy and changes to the existing system of strong socio-economic inequalities in Haiti. In general, these actors do not respect the rules of free-market competition. They impose oligopolistic and monopolistic practices without fear of sanction. The state plays a fatal role in that context because he makes the rent-seeking activities of these groups possible.

The development of the democratic and economic transformation will depend, among other factors, on power relations between traditional economic groups and those who favor rules of political and economic governance that facilitate a democratization of the political life and the development of a market economy. The latter played an active role in the opposition to Aristide and participated in the formation of Group 184. Now the question is: to what extent this group is willing to make concessions to the development of democracy and the progress of social and economic transformation? The establishment of democratic rules and broader public participation in politics (and the distribution of resources) will call their own interests into question.

A consensus between the government, political parties and civil society has been made particularly difficult because of the cleavage-based nature of the political crisis. The Aristide government failed in its leadership. It did not really search for a compromise and could not gather those political forces that were able to support it in their efforts. The government did not take advantage of the multiple proposals, made on the international level through the mediation of the OAS and the CARICOM and on the national level by the Catholic Church, to find a way out of the crisis. When the government finally accepted proposals, it was too late to win the support of the political parties and civil society.

On both sides of the political spectrum, the insistence on categorical standpoints and the absence of a political tradition of compromise contributed to political chaos and the violence of February 2004, which caused the deaths of thousands of Haitians. In the same year of the celebration of Haiti's independence, the political class, incapable of finding compromise solutions to the political crisis, risked the state falling apart and preferred to call on the help of a multinational force to restore stability to the country. With its anti-Lavalas policies, the transition government even exacerbated existing societal cleavages.

Neither the Aristide government nor the transition government has promoted social capital. Both were indifferent to the role of civic engagement and solidarity. The promotion of social capital has not made significant progress. Meanwhile the

democratization process has been accompanied by growing interest among citizens to organize themselves to provide basic social services on a local level. The economic crisis and political violence contributed to diminished engagement of citizens.

A major weakness of the transitional government is its ignorance of the civil society during the formulation and implementation of policy. In this sense, it does not differ greatly from the late Aristide period. Popular organizations and the comités de quartiers that developed at the beginning of the democratic process became instruments of politicization and they were driven away from their initial function. Many leaders of these organizations became supporters of political violence as a means for socioeconomic ascent.

The Aristide government did not make an effort to end the impunity from legal prosecution that characterizes the Haitian political system. Political leadership manipulates memories of injustices during the military regime (1991-1994) as a weapon against political opponents. It reinforced a justice system that is ruthless with underprivileged people and particularly lenient with those who possess social, political or economic capital. Perpetrators of human rights violations do not fear legal punishment. They often reappear as politicians with a new legitimacy, which safeguards them from legal pursuit. The Aristide government organized some trials against perpetrators of human right violations during the military regime. These trials were not well prepared and the production of evidence and charges was weak.

The government of transition has stated its intention to work towards reconciliation. Nevertheless, the imprisonment without trial of leaders of the Aristide party Fanmi Lavalas and the spectacular illegal arrests of former Lavalas senators eroded confidence in a national reconciliation process.

3.5. International cooperation

The international community has participated in the transformation process from the beginning. After the strong support of the Lavalas government (1991 and 1994), relations have deteriorated. In 2003, after the Aristide government introduced stabilization measures, relations with international finance institutions (chiefly the World Bank, the IMF and the IDB) improved.

The international community was involved in efforts to find a solution to the long political crisis caused by the controversial elections in 2000. A special mission of the OAS was installed to reinforce democracy in Haiti. CARICOM conducted different missions of negotiation and, at the height of the political crisis in January 2004, presented a plan for sharing of governance between President Aristide and the opposition. The United States, Canada and the European Union played an

important role in searching for a political compromise in Haiti. Nevertheless, all these missions suffered from the relentless attitude of the political parties and of the government. The explanation for this is not only the weakness of consensus capacities in the Haitian political system, but also the idiosyncrasy of political elites that always defend their independence concerning foreign interferences.

The government of transition maintains strong relations with the international community and international finance institutions and enjoys a certain degree of confidence. The government can count on strong support for their economic program, the Cadre de Coopération Interimaire (CCI). The Transitional Government works in collaboration with the World Bank, the IMF, the IDB and the UNDP in order to continue economic and institutional transformation projects in important domains like public finance, education, the prevention of natural disasters, or the improvement of social services.

The CCI program stresses economic stabilization and improvement of economic governance of the state. Measures focusing on economic revival have not been applied, even though they are necessary to improve the population's living conditions and to consolidate the political and economic transformation process. The international community is still reserved in unblocking the promised funds with the argument that the actual government is not able to present projects that are worth financing. At a conference of donors in Cayenne in March 2005, more than 200 projects were presented. However, the promised support will not be available as rapidly as is hoped by the transition government. In spite of the confidence that the government seeks to inspire in the international community it does not show any eagerness to begin economic projects important for the stability of the country.

In the security field, the UNO Mission in Haiti (MINUSTAH) with most troops coming from Latin American countries assists the Haitian National Police and helps the government to disarm armed groups.

Relations between the government and CARICOM remain difficult. CARICOM refuses to acknowledge the Alexandre/Latortue government and to legitimize the way Aristide's government was removed from power, although it played a central role in the search of a compromise solution.

Relations between the Dominican Republic and Haiti have improved in during the survey period. Several common projects between the two governments are underway, like the economic "dynamization" of the border zone. Important problems of Haitian migration to the Dominican Republic and the violations of Haitian workers' rights are continuing preoccupations. Haiti, on the other hand, complains about contraband commerce from the Dominican Republic.

4. Trend of development

4.1. Democratic development

The political order in Haiti suffered from a weakening performance during the analyzed period. The coherence of the state has deteriorated not only in terms of the monopoly of violence but also in terms of political participation. Political parties have failed in their role as political mediators. Power distribution has not been respected and led to a reinforcement of institutional instability and governance deficits in public administration.

The outcome of the democratic development from 2001 to 2005 is controversial. On the one hand, achievements in democracy in terms of a transformation of the state and its institutions have been diminished. On the other hand, civil society has shown a strong attachment to the defense of democracy and the pursuit of the political transformation process in the country.

Democratic progress made in previous years has suffered constant setbacks. Political parties and the Aristide government concentrated on continuing negotiations without considering a positive outcome in order to continue with the institutional transformation of the country. Political and social integration of the population has been neglected in favor of a strategy of political polarization and confrontation, which caused a destabilization of the overall democratic framework and weakened its consolidation. The transitional government has not brought about more political participation by its citizens. The majority of the population feels excluded from political activities.

During the last four years, the skepticism in the institutions has increased. The weakness of governance and the coherence of the state have been subject to deterioration. The state has lost its monopoly on violence and, despite of the presence of the MINUSTAH, he is not able to impose its authority against the armed gangs. Various demands of the international community to put the country under control of the UNO have been documented.

The breakdown of the Aristide government in February 2004 provoked a possible reconfiguration of political forces in Haiti. Some former supporters of Aristide want to dissociate from him and to participate to electoral process. They will have to face the opposition challenge of the groups that fight for the return of the former president to Haiti. Former companions of Aristide who broke with him even before his return to power 2001 are also tempted to recover the basis of the party Fanmi Lavalas.

4.2. Market economy development

Between the years 2002 and 2005, the Haiti has not moved forward in developing a market economy. After some improvements in human development (HDI 2000: 0.44; HDI 2002: 0.463) the country has seen a deterioration of its level of development. The progress made in health and education has been reversed due to low economic growth and the deterioration of the economic situation.

The institutional environment for progress toward a market economy has worsened considerably because of the long political crisis, which at the same time has discouraged private investors. The predominance of the informal sector could not be reduced. Political violence and gang crime have suspended economic activities for days on end. Private property has been exposed to actions of armed gangs, from which the state could not provide adequate protection. The suspension of external financial aid contributed to a significant decline of state resources. The ecological disasters that struck the country in 2004 aggravated existing environmental problems and increased the vulnerability of the poor.

The elaboration of an economic plan (Cadre de coopération Interimaire) by the government of transition extended two years (2004-2006), is directed at an economical rival and enforces economic governance. However, its success still depends on the disbursement of funds promised by the international community.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	0.9	-1.0	-0.5	0.4	-3.5*
Export growth in %	-2.5	-7.8	-10.5	21.0	12.8*
Import growth in %	6.8	-2.9	- 6.9	13.6	6.0*
Inflation in % (CPI)	11.5	16.8	8.7	32.5	27.1*
Investment in % of GDP	27.0	26.0	25.0	31.0	23.0
Tax Revenue in % of GDP	-0.3	3.8	20.2	37.3	15.9*
Unemployment in %	n.a.	n.a.	n.a.	n.a.	n.a.
Budget deficit in % of GDP	-2.4	-2.8	-3.2	-3.7	-3.7
Current account balance in billion \$	-259.9	-233.1	-168.1	-141.0	-98.0*

* preliminary

Source: Ministry of Economy and Finance of Haiti, Bank of the Republic of Haiti; and Fund Staff Estimates

D. Strategic perspective

The virulent political fight that took place in the years of this analysis and the lack of flexibility and strategic visions that characterize the Haitian political system indicate that the country will see huge difficulties in pursuing the democratic and economic processes of transformation. The organization of the general elections at the end of 2005 as a free and democratic act will represent a crossroads decisive for a democratic future in Haiti. Still, the concentration on the election day can cause a certain number of problems. If it gets an overall priority while the national dialogue on credibility is not continued, it could represent a danger for the pursuit of the democratization of the country. In Haiti, the electoral campaign and elections are traditionally accompanied by violent political clashes.

The strategic perspectives in Haiti have to be seen in light of two different scenarios. The pessimistic one takes into account that the Alexandre and Latortue government is not able to stop insecurity and violence in Haiti and to reaffirm the authority of the state throughout the country. In that case, those who refuse a normalization of the country and are opposed to the process of democratization could take advantage of the weaknesses of the government. Elections would have to be postponed and would reinforce by that means political instability and set the transitional government back to illegitimacy. In this scenario, those political forces interested in the restoration of an authoritarian regime in Haiti would triumph over the forces in favor of transformation. The consequences for the economy of the country would be disastrous because the international financing community would probably revise its commitment to numerous projects designed to be implemented for a better economic future for Haiti.

The other scenario assumes the transitional government in cooperation with the MINUSTAH is able to suppress violence and insecurity through a credible campaign of disarmament, of clearing the national police of its rogue members and finding solutions for the demobilized military. If the Alexandre and Latortue government can make a profit out of the disbursement of the funds promised by the international financing community, and carries out labor-intensive programs, it could lead to higher public confidence in the government and give it an enforced legitimacy to launch a national dialogue.

The government of transition is far from complying with these conditions. It has to face growing contentions by the civil society that is accusing cases of corruption in the government, diverse violations of human rights and on-the-spot executions perpetuated by the national police, especially in popular neighborhoods. Even if the government – with the help of MINUSTAH – has evolved in their fight against insecurity since the start of 2005, the results are still minimal.

The government has not put forward a dialogue with the party of the former President Aristide in order to involve it in the process of reconciliation, a fact that minimizes its chances for success. In this context, the evolution of the former Fanmi Lavalas party will be a determining factor for the political future of the country. A reformers wing of the party Fanmi Lavalas is trying to recover its social basis and is willing to participate in the next elections. However, there is a real risk of Aristide interfering with this initiative with the help of his supporters within the party.

The second scenario takes into account the installation of a new government in February 2006 as an outcome of the elections in 2005. The legitimacy of this government will depend on a good management of the elections and its capacity to engage in a strategy of political and social inclusion. The coming government will need a national consensus in order to put forward the long-term transformation of the country and will surely be tempted to take over at least some elements of the transitional government's program, but it should develop a long-term economic strategy not limiting it to macroeconomic stabilization. This strategy should focus on the implementation of structural reforms to reestablish

growth, to make the agricultural production more dynamic and to develop social programs destined to improve the living conditions of a population that has suffered a continuous deterioration in recent years.

The next government is meant to continue the important project of institutional and political transformation of the country. It has to reestablish the rule of law, to respect the balance of power, to seriously put forward the reform of the juridical system and the police force, to transform the public administration in order to improve its capacity of governance and to combat the restoration tendencies expressed by violent political actors in favor of a strong, undemocratic regime. In order to augment the participation of the population, the next government has to manage an intensified decentralization of the country, to enforce local governance and to develop communication and cooperation with civil society organizations. The pursuit of the democratic transformational process will strongly depend on the capacity of the political elite to improve its faculties of leadership and to bring more transparency in the party structures, to play a mediation role between the society and the state and to define long- and medium-term strategies of transformation. This process will require a high engagement of the international community without whom the project of economic and political transformation cannot be carried out. On the other hand, Haitians as well should take more responsibility for their own future.